

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

A INFORMATION REQUIRED BY MFRS 134

1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2024, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2023.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2023, except for the adoption of the Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2024. The initial application of the accounting standards, interpretations or amendments that are effective from 1 January 2024 do not have any material financial impacts to the current and prior financial period of the Group.

		Effective for financial periods <u>beginning on or after</u>
MFRS 7	Financial Instruments : Disclosures	1 January 2024
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024

The adoption of the above new MFRS and amendments to MFRSs did not have any significant effect on the financial statements of the Group and did not result in significant changes to the Group's existing accounting policies.

Standards issued but not yet effective

At the date of authorization of these interim financial statements, the followings standards were issued but not yet effective and have not been applied by the Group:

		Effective for financial periods <u>beginning on or after</u>
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have material effect to the financial statements of the Group upon their initial application.

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(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

2. Audit Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2023 was not subjected to any qualification.

3. Seasonal or Cyclical Factors

The Group's business operations are not affected by any major seasonal or cyclical factors.

4. Unusual Items Due to their Nature, Size or Incidence

There were no items affecting the assets, liabilities, equity, net income, or cash flows in the Group that are unusual because of their nature, size or incidence during the interim period.

5. Changes in Estimates

There are no other changes in estimates that has material effect in the current quarter results.

6. Debt and Equity Securities

There was no issuance, cancellation, resale of shares bought back and repayment of debt and equity security for the financial year other than the following: -

- (a) There were no shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 30 September 2024 was 1,757,200 shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

7. Dividends Paid

No dividend was paid during the 3rd quarter ended 30 September 2024.

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

8. *Loss/(Profit) before tax*

Included in the loss/(profit) before tax are the following items:

	3 months ended		9 months ended	
	30 September		30 September	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Interest Income	(830)	(686)	(2,482)	(1,573)
Other income including investment income	(284)	(4,448)	(1,339)	(5,513)
Interest expense	2,003	1,077	5,729	3,625
Depreciation and amortisation	14,789	16,126	45,313	48,502
Provision for & write off of receivables	60	120	180	180
Gain on disposal of property, plant and equipment	(1)	386	(71)	379
Foreign exchange loss/ (income)	13,463	(1,718)	9,706	(4,625)

9. *Segmental Information*

Segmental analysis is prepared based on the geographical location of the plant.

Segmental Revenue and Results

	3 months ended		3 months ended	
	30 September 2024		30 September 2023	
	Segment Revenue	Segment Profit/(Loss) before tax	Segment Revenue	Segment Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Malaysia	118,117	(20,245)	84,615	(13,385)
Thailand	115,847	7,468	125,052	15,408
Others	29,308	4,663	30,417	6,683
	<u>263,272</u>	<u>(8,114)</u>	<u>240,084</u>	<u>8,706</u>

	9 months ended		9 months ended	
	30 September 2024		30 September 2023	
	Segment Revenue	Segment Profit/(Loss) before tax	Segment Revenue	Segment Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Malaysia	308,782	(39,432)	216,846	(40,574)
Thailand	351,320	41,036	344,620	22,766
Others	83,182	8,950	84,394	11,453
	<u>743,284</u>	<u>10,554</u>	<u>645,860</u>	<u>(6,355)</u>

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

10. Valuation of Investment and Property, Plant and Equipment

No valuation was conducted during the period on the Group's property, plant and equipment.

11. Subsequent Events

No material events have arisen subsequent to the Balance Sheet date that requires disclosure or adjustment to the unaudited condensed interim financial statements.

12. Changes in Composition of the Group

There were no material changes in the composition of the Group during the current financial quarter.

13. Contingent Liabilities

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

14. Capital commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2024 are as follows:

	<u>RM'000</u>
Approved and contracted for	3,385
Approved but not contracted for	1,494
	<u>4,879</u>

15. Significant Related Party Transactions

Transactions that have been entered into are in the normal course of business and have been established under mutually agreed terms that are not materially different from those obtainable in transactions with unrelated parties. However, no such transactions arise.

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

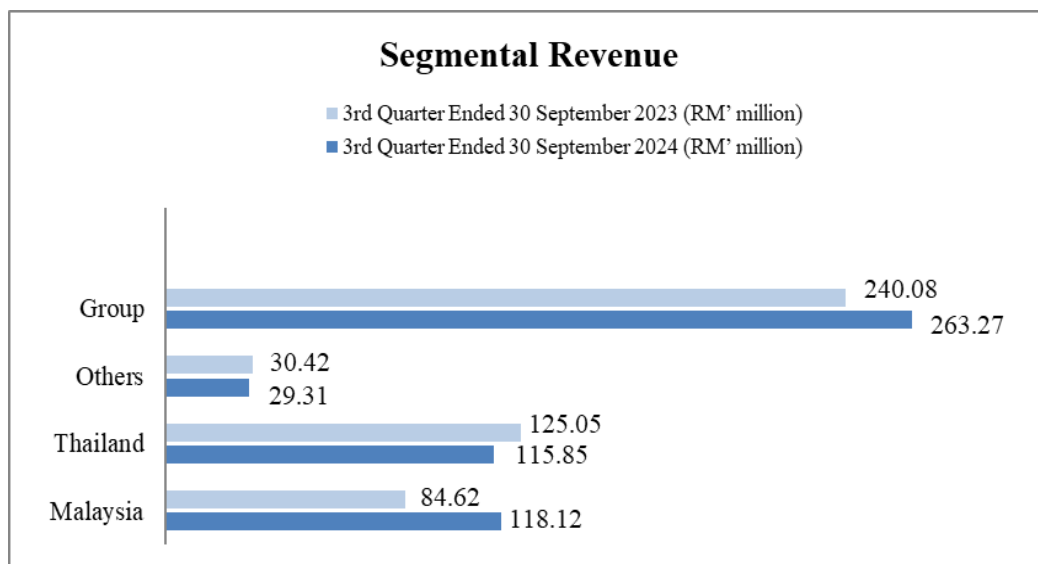
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1 *Performance Review*

	3 months ended		Changes %	9 months ended		Changes %
	30 September 2024 (RM'000)	30 September 2023 (RM'000)		30 September 2024 (RM'000)	30 September 2023 (RM'000)	
Revenue	263,272	240,084	9.7%	743,284	645,860	15.1%
Operating Profit	53,519	43,586	22.8%	145,035	96,131	50.9%
Profit/(Loss) Before Interest and Tax	(6,109)	9,782	-162.5%	16,283	(2,730)	696.4%
Profit/(Loss) Before Tax	(8,114)	8,706	-193.2%	10,554	(6,355)	266.1%
Profit/(Loss) After Tax	(11,062)	5,544	-299.5%	1,029	(9,227)	111.2%
Profit/(Loss) Attributable to Owners of the Company	(11,062)	5,544	-299.5%	1,029	(9,227)	111.2%

Segmental Revenue and Results – for 3rd Quarter Ended 30/9/2023 vs 30/9/2024

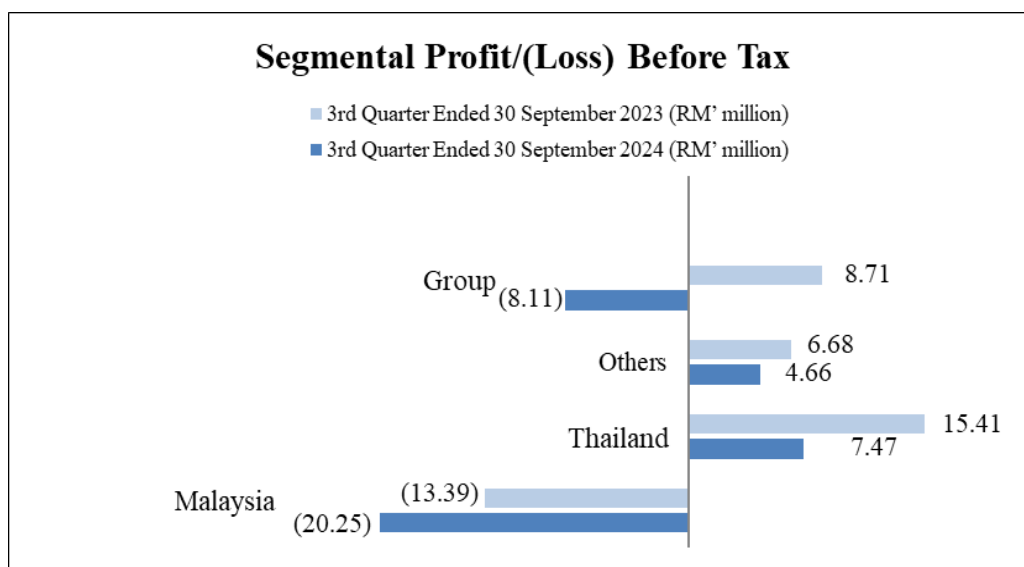


EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024



Malaysia segment

The Malaysia segment's revenue for the quarter ended 30 September 2024 increased by 39.6% or RM33.50 million to RM118.12 million from RM84.62 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly due to higher average selling price and sales volume from panel boards as well as downstream products.

Loss before tax for the quarter ended 30 September 2024 increased by RM6.86 million to RM20.25 million from RM13.39 million recorded in the corresponding quarter of the preceding year. The increase in loss before tax was mainly due to foreign exchange loss of RM12.61 million reported in the current quarter.

Thailand segment

The Thailand segment's revenue for the quarter ended 30 September 2024 decreased by 7.4% or RM9.20 million to RM115.85 million from RM125.05 million recorded in the preceding year corresponding quarter. The decrease in revenue was due to lower average selling price and sales volume.

Profit before tax for the quarter ended 30 September 2024 decreased by RM7.94 million to RM7.47 million from RM15.41 million recorded in the corresponding quarter of the preceding year. The decrease in profit before tax was mainly due to freight cost, higher raw material cost and foreign exchange loss reported in the current quarter.

Others segment

The Others segment's revenue for the quarter ended 30 September 2024 decreased by 3.6% or RM1.11 million to RM29.31 million from RM30.42 million recorded in

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

the preceding year corresponding quarter. The decrease in revenue was due to lower average selling price.

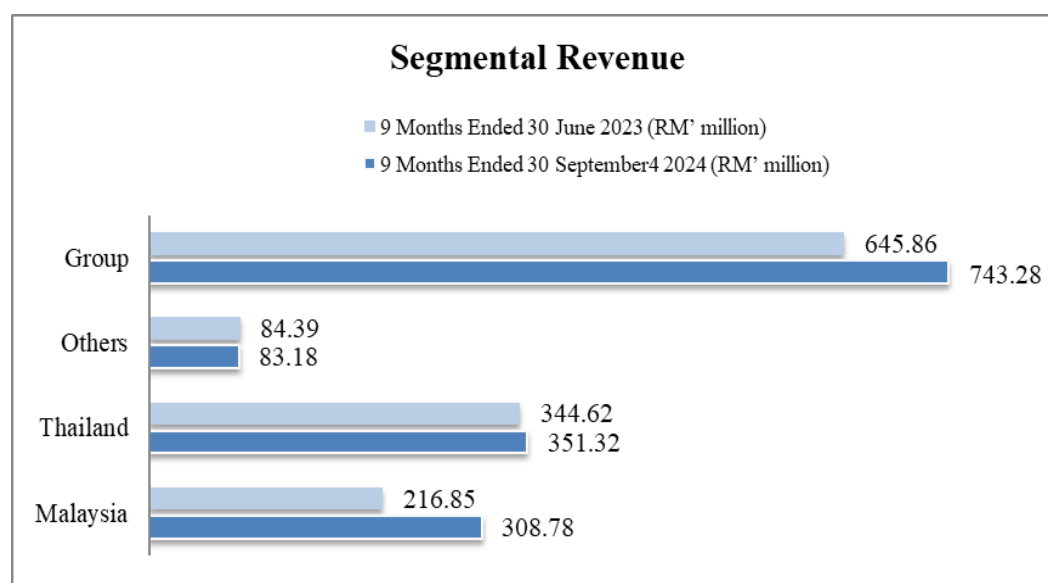
Profit before tax for the quarter ended 30 September 2024 decreased by RM2.02 million to RM4.66 million from RM6.68 million recorded in the corresponding quarter of the preceding year. The decrease in profit before tax was mainly due to lower sales margin and higher freight cost.

Consolidated

The Group's revenue for the quarter ended 30 September 2024 increased by 9.7% or RM23.19 million to RM263.27 million from RM240.08 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed by higher sales volume and average selling price from panel boards as well as downstream products.

Loss before tax was reported at RM8.11 million for the quarter ended 30 September 2024, as compared to a profit before tax of RM8.71 million recorded in the corresponding quarter of the preceding year. The loss before tax was mainly due to foreign exchange loss of RM13.46 million being recorded in current quarter as compared to a foreign exchange gain of RM1.72 million in the preceding year corresponding quarter. Excluding foreign exchange impact, the current quarter ended 30 September 2024 would show a profit before tax of RM5.35 million.

Segmental Revenue and Results – for 9 Months Ended 30/09/2023 vs 30/09/2024

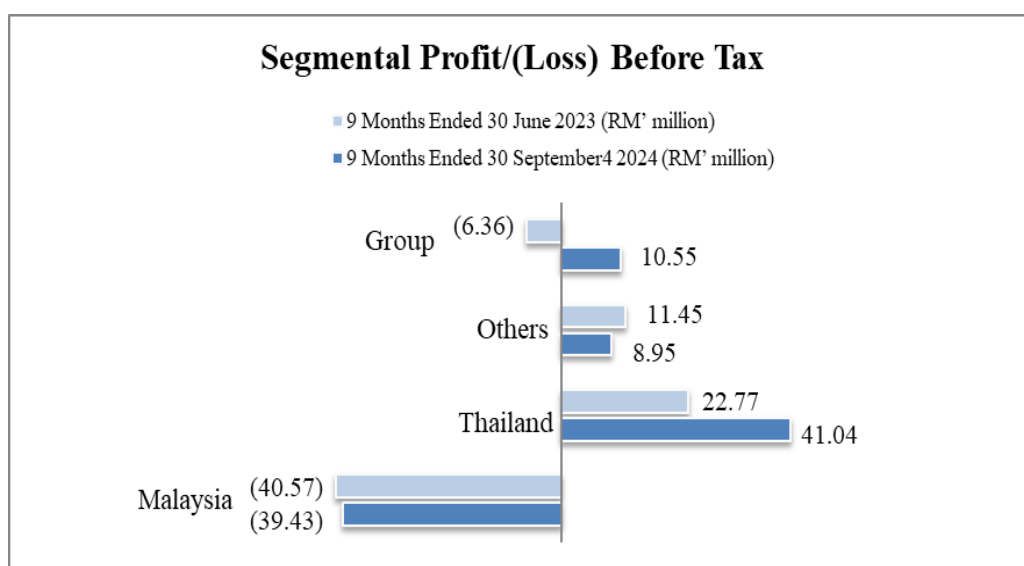


EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024



Malaysia segment

For the current year to date, the Malaysia segment's revenue has increased by 42.4% to RM308.78 million, as compared to the revenue of RM216.85 million for the corresponding period last year. The increase in revenue was mainly due to higher average selling price and sales volume from all products.

Despite incurring foreign exchange loss, the loss before tax for the current year to date 30 September 2024 decreased by RM1.14 million to RM39.43 million from RM40.57 million recorded in the corresponding quarter of the preceding year. The decrease in loss before tax was mainly due to higher sales margin reported in the current quarter.

Thailand segment

For the current year to date, the Thailand segment's revenue was RM351.32 million, with an increase of 1.9% or RM6.7 million, as compared to the revenue of RM344.62 million for the corresponding period last year. The increase in revenue was due to higher average selling price.

Profit before tax for the current year to date 30 September 2024 increased by RM18.27 million to RM41.04 million from RM22.77 million recorded in the corresponding period last year. The increase in profit before tax was mainly contributed from higher sales margin and lower operation cost as the result of higher production efficiency.

Others Segment

For the current year to date, Other segment's revenue of RM83.18 million is comparable to the corresponding period last year's revenue of RM84.39 million.

EVERGREEN FIBREBOARD BERHAD

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(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

Profit before tax for the current year to date 30 September 2024 decreased by RM2.5 million to RM8.95 million from RM11.45 million recorded in the corresponding period last year. The profit before tax was higher in the corresponding period last year due to insurance income.

Consolidated profit before tax

For the current year to date, the Group's revenue has increased by 15.1% or RM97.42 million to RM743.28 million, as compared to RM645.86 million for the corresponding period last year. The increase in revenue was mainly contributed by higher sales volume and average selling price from all products.

Despite incurring foreign exchange loss of RM9.71 million for the current year to date, the Group reported a profit before tax of RM10.55 million for the current year to date, as compared to a loss before tax of RM6.36 million recorded in the corresponding period last year. The profit before tax was mainly contributed by higher sales margin, lower operation cost as the result of higher production. Excluding foreign exchange impact, the current year to date ended 30 September 2024 would show a profit before tax of RM20.26 million.

2 *Comment on Material Change in Profit Before Taxation Against Preceding Quarter*

	Current Quarter 30-Sep-24 <u>RM'000</u>	Immediate Preceding Quarter 30-Jun-24 <u>RM'000</u>	Changes %
Revenue	263,272	257,273	2.3%
Operating Profit	53,519	52,158	2.6%
Profit/(Loss) Before Interest and Tax	(6,109)	11,693	-152.2%
Profit/(Loss) Before Tax	(8,114)	9,883	-182.1%
Profit/(Loss) After Tax	(11,062)	6,000	-284.4%
Profit/(Loss) Attributable to Owners of the Company	(11,062)	6,000	-284.4%

The current quarter revenue increased by 2.3% to RM263.27 million, as compared to RM257.27 million recorded in the preceding quarter. The increase in revenue was mainly due to higher average selling price from panel boards as well as downstream products.

Loss before tax was reported at RM8.11 million for the current quarter, as compared to a profit before tax of RM9.88 million recorded in the preceding quarter. The loss before tax was mainly due to foreign exchange loss of RM13.46 million and higher freight charges incurred in current quarter. Excluding foreign exchange impact, the current quarter ended 30 September 2024 would show a profit before tax of RM5.35 million.

EVERGREEN FIBREBOARD BERHAD

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(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

3 *Profit Forecast or Profit Guarantee*

Not applicable as the Group did not issue any Profit Forecast or Profit Guarantee.

4 *Commentary of Prospects*

The US Federal Reserve Bank has commenced dropping interest rate. Such a move should spur consumer spending in the US which will bring some much needed relief to the furniture sector. The election of a new US President has boosted the US Dollar which has been weakening in response to the drop in interest rate.

The Group continues to focus on completing the relocation of one of its production line from Malaysia to Indonesia, which is in the midst of starting up. Management remains cautious and aims to maintain a healthy cash balance, to ensure sufficient liquidity.

5 *Tax Expense*

Major Components of tax expense

	3 months ended		9 months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense	2,948	4,816	9,949	6,475
Deferred tax expense	-	(1,654)	(424)	(3,603)
	<u>2,948</u>	<u>3,162</u>	<u>9,525</u>	<u>2,872</u>

The effective tax rate for the current quarter was higher than the statutory tax rate mainly due to the tax expense is mainly from profitable companies and non-recognition of tax assets from some loss-making companies.

6 *Status of Corporate Proposal Announced*

There was no outstanding corporate proposal as at the date of this report.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

7 Borrowings and Debt Securities

The Group's borrowings are as follows: -

Denominated	As at 30 September 2024				
	In RM	In Baht	In USD	In Euro and Others	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short Term Borrowings:					
<u>Secured</u>					
Trade facilities	-	-	7,427	-	7,427
Term loans	1,896	-	3,288	-	5,184
Lease liabilities	371	-	-	31	402
<u>Unsecured</u>					
Trade facilities	123,274	-	16,416	3,489	143,179
Term Loans	-	-	-	6,491	6,491
Lease liabilities	562	-	-	-	562
	<u>126,103</u>	<u>-</u>	<u>27,131</u>	<u>10,011</u>	<u>163,245</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	-	-	86,609	-	86,609
Lease liabilities	223	-	-	-	223
<u>Unsecured</u>					
Term Loans	322	-	-	3,245	3,567
Lease liabilities	917	-	-	-	917
	<u>1,462</u>	<u>-</u>	<u>86,609</u>	<u>3,245</u>	<u>91,316</u>
Total	<u>127,565</u>	<u>-</u>	<u>113,740</u>	<u>13,256</u>	<u>254,561</u>

Exchange rate RM to USD1.00	4.1560
Exchange rate RM to THB1.00	0.1281
Exchange rate RM to EUR1.00	4.6267
Exchange rate RM to SGD1.00	3.2336

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

As at 30 September 2023

Denominated	In RM	In Baht	In USD	In Euro and Others	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>

Short Term Borrowings:

Secured

Trade facilities	1,519	-	-	-	1,519
Term loans	6,580	-	6,584	-	13,164
Lease liabilities	63	-	-	72	135

Unsecured

Trade facilities	117,302	-	8,226	-	125,528
Term Loans	-	-	-	6,966	6,966
Lease liabilities	742	-	-	-	742
	<u>126,206</u>	<u>-</u>	<u>14,810</u>	<u>7,038</u>	<u>148,054</u>

Long Term Borrowings:

Secured

Term loans	941	-	3,719	-	4,660
Lease liabilities	68	-	-	31	99

Unsecured

Term Loans	-	-	-	10,449	10,449
Lease liabilities	1,445	-	-	-	1,445
	<u>2,454</u>	<u>-</u>	<u>3,719</u>	<u>10,480</u>	<u>16,653</u>
Total	<u>128,660</u>	<u>-</u>	<u>18,529</u>	<u>17,518</u>	<u>164,707</u>

Exchange rate RM to USD1.00	4.7005
Exchange rate RM to THB1.00	0.1280
Exchange rate RM to EUR1.00	4.9656
Exchange rate RM to SGD1.00	3.4372

EVERGREEN FIBREBOARD BERHAD

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(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

8 *Changes in Material Litigation*

There was no material litigation pending as at 18 November 2024.

9 *Dividend Payable*

The Board of Directors does not recommend any interim dividend for the current quarter under review.

10 *Earnings Per Share*

a. Basic

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months ended		9 months ended	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	(11,062)	5,544	1,029	(9,227)
Weighted average number of ordinary shares in issue ('000)	844,667	844,667	844,667	844,667
Basic EPS (sen)	(1.31)	0.66	0.12	(1.09)

b. Diluted

No diluted earnings per share is calculated as there is no potential dilution of ordinary share.